Japanese Carbon and Alloy Flat Products Exclusion Request

Product Category: Cold-Rolled Products (#4)

(a)	Product Designation/HTS	**Ultra High Strength Cold-Rolled Steel Sheet** 7209.16.00.30, 7209.17.00.30, 7209.18.15.30, 7209.18.25.50
(b)	Product Description	See attached description
(c)	Basis for Exclusion	See text below
(d)	Names and Location of U.S. and Foreign Producers	See Attachment A
(e)	U.S. Consumption	See Attachment B
(f)	U.S. Production	See Attachment B
(g)	Substitutible Products	See Attachment C

Attorney Contact: Matthew R. Nicely (202-429-4705, mnicely@willkie.com) or
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Willkie Farr & Gallagher

Ultra high strength cold-rolled steel sheet is a highly specialized material.[1] The market for this product is relatively small, but the automotive industry relies on such imports to fill critical needs. Use of ultra high strength cold-rolled steel helps achieve one of the automobile manufacturers' most significant objectives – overall reduction of the vehicle weight. This product is mainly used in automotive parts that require critical specifications.

The most important characteristic of this product is the combination of hardness and good formability. Strength is indicated by yield strength and tensile strength, and elongation indicates formability (*i.e.*, bendability and drawability). This combination of characteristics is difficult to achieve; necessary special microstructures are formed through specialized production techniques such as heat control and chemical composition control. In the microstructure of steel, Kobe Steel carefully controls the hardness, quality, and distribution of the martensite phase, which makes the steel stronger, and ferrite phase, which makes the steel softer and more formable. Temperature control before cooling, rapid cooling, and re-heating are critical. Kobe uses unique facilities in its continuous annealing line – the rapid cooling section and overaging section. The rapid cooling section with a water quenching system is the most rapid and accurate cooling system in the world.

Importantly, stronger steel is ordinarily less formable. This product, however, can meet the customers' requirement for steel that is strong but simultaneously formable. Furthermore, high tensile strength contributes to weight reduction of the final product without decreasing its strength. Ultra high strength cold-rolled steel – which can go into bumpers, side impact beams,

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[1] This product has not been shipped to the United States yet.

seat frames, center pillars and roof side rails – will therefore meet car manufacturers' needs for lighter-weight, but stronger materials.

For example, TISA of Princeton, Indiana, manufactures seat assemblies for automobiles. As Dennis Lancioni, TISA's Quality Manager, explains in an affidavit attached hereto, Kobe's ultra high strength cold-rolled steel will be used in the seat where the seat back and seat cushion meet and pivot.[2] Federal Motor Vehicle Safety Standards (FMVSS #207) have minimum requirements for such parts and strength is of primary importance to ensure that the seat withstands wear and tear and other damage. Kobe's ultra high strength cold-rolled steel meets these requirements, having a minimum tensile strength of 980 N/mm^2. Importantly, the strength of steel corresponds with its thickness, *i.e.*, plate is significantly stronger than sheet. Therefore, other thicker steel products would be strong enough, but the car manufacturer's design does not allow for a frame larger than that designed to use Kobe's product, nor would the added weight of thicker steel be allowed.

Toyota Motor Manufacturing North America ("TMMNA") is considering using ultra high strength cold-rolled steel in future vehicle models at its affiliate, Toyota Motor Manufacturing, Indiana, Inc. ("TMMI") in Princeton, Indiana. In a letter addressed to the Commission, TMMNA indicated its support for this exclusion request.[3] TMMI currently employs 2,460 people and its annual production capacity is 150,000 vehicles, and plans to expand to 4,300 employees producing 300,000 vehicles in 2003.[4] Any import restraints on ultra high strength cold-rolled steel could negatively affect TMMI's current production plans.

U.S. producers do not have the equipment necessary to achieve the strength and weight specification for ultra high strength cold-rolled steel.[5] Indeed, attached as **Attachment E** is a letter from U.S. Steel confirming that they do not produce ultra high strength cold-rolled steel and therefore do not oppose this exclusion request. Accordingly, we request that the USTR exclude this specialty steel product from any 201 remedy.

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[2] *See* Affidavit of Dennis Lancioni, TISA, at para. 2 (**Attachment D**).

[3] Letter from Amanda E. Saufley, Manager, Functional and Stamping, Toyota Motor Manufacturing North America to the U.S. International Trade Commission (**Attachment D**).

[4] *See* Toyota's website at www.toyota.com/html/about/operations/manufacturing/manu_location/tmmi.html.

[5] *See* Affidavit of Dennis Lancioni, TISA, at para. 3 (**Attachment D**).

Product Definition:

THICKNESS		YP						TS	EL									
		0.6=<T<0.8		0.8=<T<1.0		1.0=<T=<2.3			0.6=<T<0.8		0.8=<T<1.0		1.0=<T<1.2		1.2=<T<1.6		1.6=<T=<2.3	
(min)	(max)	(min)	(max)	(min)	(max)	(min)	(max)	(min)	(min)	(max)	(min)	(max)	(min)	(max)	(min)	(max)	(min)	(max)
0.60	2.30	430	580	420	570	410	560	590	17	32	17	32	18	33	18	33	18	-
0.60	2.30	325	470	315	460	305	450	590	17	32	18	33	19	34	20	35	21	-
0.60	2.30	420	645	410	635	400	625	780	12	25	13	26	14	27	15	28	16	-
0.80	2.30	-	-	590	930	580	920	980	-	-	9	20	10	21	11	22	12	-
0.80	2.30	-	-	835	1225	825	1215	1180	-	-	5	10	6	17	7	18	8	-
1.00	2.00	-	-	-	-	980	1270	1270	-	-	-	-	6	17	6	17	6	-
1.00	2.00	-	-	-	-	1040	1500	1470	-	-	-	-	3	15	3	15	3	-

YP: Yield Point
TS: Tensile Strength
EL: Elongation

UNIT: Thickness = mm, YP and TS = N/mm, EL = %

Attachment A

Foreign Producers

(1) Kobe Steel, Ltd.

- Address: 9-12, Kita-Shinagawa 5-chome, Shinagawa-ku, Tokyo 141-8688, Japan
- Phone: 011-81-3-5739-6152
- Fax: 011-81-3-5739-6923

Domestic Producers

- No Known Domestic Producers

COLD-ROLLED

Ultra High Strength Cold-Rolled Steel

Quantity						**January - June**		**Projections**				
Company	**1996**	**1997**	**1998**	**1999**	**2000**	**YTD 2000**	**YTD 2001**	**2001**	**2002**	**2003**	**2004**	**2005**
[	0	0	0	0	0	0	0	0	0	2,794	3,098	7,228
Total	0	0	0	0	0	0	0	0	0	2,794	3,098	7,228]

Value *						**January - June**		**Projections**				
Company	**1996**	**1997**	**1998**	**1999**	**2000**	**YTD 2000**	**YTD 2001**	**2001**	**2002**	**2003**	**2004**	**2005**
[	0	0	0	0	0	0	0	0	541,167	1,785,725	2,319,288	5,000,029
Total	0	0	0	0	0	0	0	0	541,167	1,785,725	2,319,288	5,000,029]
U.S. Production	0	0	0	0	0	0	0	0	0	0	0	0
Imports from Other Countries	0	0	0	0	0	0	0	0	0	0	0	0
Total U.S. Consumption												
[Quantity	0	0	0	0	0	0	0	0	0	2,794	3,098	7,228]
[Value	0	0	0	0	0	0	0	0	541,167	1,785,725	2,319,288	5,000,029]

Attachment C

Known Substitutable Products: None

U.S. Production: None

U.S. Producers: None

PUBLIC VERSION

TOYOTA

Toyota Motor Manufacturing
North America, Inc.
25 Atlantic Avenue
Erlanger, KY 41018-3188
(859) 746-4000

November 8, 2001

The Honorable Donna R. Koehnke
Secretary
Room 112-A
United States International Trade Commission
500 E Street, S.W.
Washington, D.C. 20436

Re: Steel, Investigation No.: TA-201-73

Dear Madam Secretary:

Toyota Motor Manufacturing North America, Inc. ("TMMNA"), in Erlanger, Kentucky, is the corporate headquarters for Toyota's manufacturing operations throughout the United States and Canada. TMMNA provides centralized support to Toyota's North American manufacturing plants, including purchasing, production control, production engineering, quality control, and administration.

TMMNA is an indirect consumer of certain imported steel products. Our U.S. suppliers buy steel to manufacture parts that are used in Toyota's vehicles. In particular, hot-rolled anti-corrosion steel sheet, which is produced by Kobe Steel of Japan, is used by our affiliate, New United Motors Manufacturing, Inc., in the production of the lower arm – a part of the suspension system. TMMNA is also considering using Kobe's ultra high strength cold-rolled steel in the seat frame, door impact beam, and safety restraints of future vehicle models at our affiliate, Toyota Motor Manufacturing, Indiana, Inc.

TMMNA is aware of Kobe's request that hot-rolled anti-corrosion steel sheet and ultra high strength cold-rolled steel be excluded from any potential remedy resulting from the Steel 201 investigation. TMMNA supports this request.

If you have any questions about this submission, please feel free to contact me at 859-746-4483 or asaufley@mail.tmmna.com.

Respectfully submitted,

Amanda E. Saufley

Amanda E. Saufley
Manager, Functional and Stamping
Toyota Motor Manufacturing
North America

PUBLIC VERSION

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AFFIDAVIT OF DENNIS LANCIONI, TISA

I, Dennis Lancioni, declare and state to the best of my knowledge, information, and belief, that:

1. I am the Quality Manager of TISA of Princeton, Indiana. We purchase steel to manufacture various automotive parts for Toyota Motors Manufacturing of North America. In particular, we will use ultra high strength cold-rolled steel for a portion of the seat assembly of [ ] scheduled for production in 2003. We have made test purchases of this specialty product from Kobe Steel of Japan. We will begin purchasing commercial quantities of ultra high strength cold-rolled steel in 2002.

2. TISA's part will be used in the first and second row seats behind the driver. The part that uses ultra high strength cold-rolled steel goes into the seat where the seat back and seat cushion meet and pivot. Strength is critically important for such uses. Indeed, Federal Motor Vehicles Safety Standard, FMVSS 207, governs the seat strength. Kobe's ultra high strength cold-rolled steel meets this standard. This product has a minimum tensile strength of 980 N/mm². Thicker steel would satisfy the FMVSS requirement however, the design for the [ ] seats does not allow space for thicker steel nor is the added weight permissible. Kobe Steel's ultra high strength cold-rolled steel is able to achieve the required strength and meet the design requirements.

3. We purchase raw materials in accordance with Toyota's specifications, which must meet federal safety standards. Toyota's policy is to purchase materials domestically whenever possible. If ultra high strength cold-rolled steel were available domestically, we would use the domestic steel. However, no U.S. steel mill produces a product that will meet the required design and strength specifications. Therefore, we must import this product from Japan. Any import restrictions that would limit our ability to buy ultra high strength cold-rolled steel would have pricing consequences. I strongly urge the Commission to recommend that ultra high strength cold-rolled steel be excluded from any remedy.

Dennis Lancioni

Dated: Nov 8, 2001

Subscribed and sworn to before me this 8 day of November, 2001.

Notary Public

THE HUNTINGTON NATIONAL BANK
39440 W. 14 Mile Rd.
Walled Lake, MI 48390-3907

My commission expires:

PUBLIC VERSION

Attachment E

PUBLIC VERSION

USS Automotive
5850 New King Court
Troy, Michigan 48098-2692

Thursday, October 04, 2001

Mr. Bobby L. Cammack
Manager, Materials
Toyota Motor Manufacturing
North America, Inc.
25 Atlantic Avenue
Erlanger, KY 41018

Subject: *Steel Section 201 Case*

Dear Mr. Cammack,

U. S. Steel LLC will not oppose your request to the International Trade Commission to exclude ultra-high strength cold rolled steels produced via the continuous annealing process from any relief that may be recommended in the Section 201 proceedings. U. S. Steel does not currently commercially produce these cold-rolled sheet products, which require a continuous annealing line.

Please feel free to use this letter in any exclusion-request petitions you may be preparing.

Yours truly,

PJ Alvarado

Peter J. Alvarado
Director-Sales
Automotive Transplants

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